

**U.S. – MOROCCO
FREE TRADE AGREEMENT**

**Written Statement of
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Deputy U.S. Trade Representative
Before the
Committee on Finance
United States Senate
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INTRODUCTION

Mr. Chairman, Senator Baucus, and Members of the Committee:

I would like to thank Chairman Grassley, Senator Baucus, and others on the committee who work in such close partnership with us on our free trade agreements. Today we count another success in our mutual efforts in this area: an FTA with Morocco. Ambassador Zoellick and Minister Delegate Fassi Fihri will sign the Agreement later this afternoon. I welcome the opportunity to discuss this Agreement with you now. I know that you share in our interest in expanding our trading relationships with countries in North Africa and the Middle East.

The Administration's trade agenda is a fundamental part of the President's broader efforts to advance reform in North Africa and the Middle East. In May 2003, President Bush announced our goal of creating a U.S. – Middle East Free Trade Area by 2013. This trade agenda is one element of a comprehensive approach to address the economic, social, and political challenges facing the region and U.S. interests in the area. In particular, our trade strategy is predicated on the idea that sustained economic growth can best be brought to the region through internally generated reforms and market-based, trade liberalizing policies.

Our strategy toward developing countries – to engage them at their levels of development, to provide them access to the U.S. market based on reciprocity, and to require that they adopt high standards for trade and investment - is working. In addition to our FTA with Morocco, we completed an FTA with Jordan in 2000, concluded FTA negotiations with Bahrain last month, and signed five additional Trade and Investment Framework Agreements with countries in the region in the last year. Important to our progress has been the strong desire among countries in the region to conclude FTAs with the United States to benefit from more certain market access for goods and services, and the high standards for intellectual property, transparency, and anti-corruption that only such agreements can provide.

Working in close partnership with Congress has been critical to our successes to date. The Trade Act of 2002 has put in place procedures that make it possible to negotiate the types of agreements that not only address the pressing need for engagement with such regions as the Middle East and North Africa, but also bring real benefits to American workers and the U.S. economy.

The FTA with Morocco is illustrative of these positive developments in our trade agenda in the region. As Ambassador Zoellick has noted, “our agreement with Morocco is not just a single announcement, but a vital step in creating a mosaic of U.S. free trade agreements across the Middle East and North Africa.” Under the courageous leadership of King Mohammed VI, Morocco has made legally binding commitments to liberalize trade with the United States. With this Agreement, Morocco has signaled its serious intention to pursue and, lock in place profound economic reform.

THE AGREEMENT

This Agreement will result in significant benefits for U.S. exporters, workers, investors, farmers and ranchers. Morocco is an emerging market at the crossroads of Europe, Africa and the Middle East. It imports \$11.6 billion in products each year. Currently, however, U.S. products entering Morocco face average tariffs of more than 20 percent, while Moroccan products are subject to average duties of only 4 percent in the United States. Under this Agreement, more than 95 percent of two-way trade in consumer and industrial products will become duty-free immediately upon the Agreement’s entry into force, with all remaining tariffs on currently traded products to be eliminated within nine years, making this the best market access package of any U.S. free trade agreement signed with a developing country. This Agreement will also serve to level the playing field for U.S. companies vis-à-vis their EU competitors.

Negotiating market access for agricultural goods was a significant challenge. Ultimately, negotiators from both sides were able to craft an agreement that balances Morocco’s development needs and our free trade principles. U.S. access to the Moroccan market has been enhanced, while complementing Morocco’s agriculture reform efforts, and taking into consideration the importance of economic and social stability in a sector of the economy that employs an estimated 44 percent of the population. Our beef and poultry producers will get new access to a market that was formerly closed to them. Tariff rate quotas for durum and common wheat could lead to five-fold increases in U.S. exports over recent levels.

We also achieved significant market access in services sectors. This will allow U.S. services providers to compete on a level playing field with Moroccan companies. Under the Agreement, Morocco has made broad commitments to create a wide array of new opportunities in its services sector including banking, insurance, audio-visual, telecommunications and computer-related services, while better protecting intellectual property.

The Agreement provides for a high level of intellectual property protection, consistent with the standards set in U.S. law. This includes state-of-the-art protections for trademarks and digital copyrights, expanded protection for patents and product approval information and tough penalties for piracy and counterfeiting. Overall, Morocco has committed to substantially enhance protection and enforcement of intellectual property rights.

The government procurement and customs chapters of this agreement will promote transparency and efficiency. The Agreement establishes important obligations between the two countries,

such as prohibiting discrimination by government purchasers between U.S. and Moroccan suppliers when making covered government purchases in excess of agreed monetary thresholds.

The rules of origin provisions allow for the possibility of counting the value of inputs from FTA partners in the region in determining whether goods receive preferential tariff treatment. This feature will facilitate the weaving together of our bilateral agreements as we move to a more integrated, region-wide agreement. It will also encourage trade among countries in the region, an important but missing ingredient for the region's development.

The labor and environment provisions also meet the objectives set out by Congress in the Trade Act of 2002. Each chapter's obligations are parts of the core text of the Agreement. In both cases, each Party commits to enforcing their own laws. This obligation is enforceable through the Agreement's dispute settlement procedures. Moreover, each government commits to promote high levels of environmental protection, to strive to ensure that its labor laws provide for labor standards consistent with internationally recognized labor principles, and to not weaken or reduce labor and environmental laws to attract trade and investment. Also notable are provisions calling for panel expertise in the event of labor or environmental disputes, as well as an innovative mechanism that allows for monetary assessments to induce a country to address its labor or environmental problems. The Agreement also establishes processes for further cooperation on labor and environmental issues, building on already extensive cooperation in these two areas.

Further important elements of this Agreement are its transparency, public notification, and anti-bribery provisions. These provisions will help to improve the business and investment environment in Morocco by providing more certainty and predictability for firms and individuals operating and investing there. In turn, by increasing the attractiveness of doing business in Morocco, such provisions will allow the Moroccan economy to realize the full potential for growth and development that an FTA provides. The agreement also establishes investment protections that will improve the conditions for investment by U.S. companies and are fully consistent with TPA objectives.

The trade advisory committees have shown widespread support for this Agreement. The most senior committee, the Advisory Committee for Trade Policy and Negotiations, found the agreement "to be strongly in the U.S. interest and to be an incentive for additional bilateral and regional agreements." Advisory committees on services, goods and intellectual property also expressed broad support. These committees highlighted the comprehensive nature of the Agreement and its rapid elimination of tariffs on U.S. exports. Several committees identified in particular the Agreement's strong protection of intellectual property rights, with the advisory committee on Intellectual Property Rights saying that the Morocco FTA contains "the most advanced IP chapter in any FTA negotiated so far." Agricultural advisory committees voiced broad support for the agreement as well. We recognize that the Labor Advisory Committee has concerns about all FTAs that relate to the Committee's assessment of this Agreement. The U.S.-Morocco FTA, however, fully meets the guidance that the Congress gave us in the Trade Act of 2002.

CONCLUSION

The U.S.-Morocco FTA is a comprehensive, well-structured agreement that will provide concrete benefits for both Americans and Moroccans. The Agreement is an essential building block not only for Morocco's economic and structural reform effort, but also for the Administration's goal of building a more market-oriented, liberalized economic regime in the Middle East and North Africa. In addition, progress made bilaterally and regionally will support our global trade agenda and complement our efforts in the Doha round of negotiations.

This Agreement sets a benchmark of high quality for other potential FTAs in the region. It demonstrates that it is possible to tackle successfully some of the most contentious issues facing trade with developing countries, such as agriculture, and that agreements benefiting both sides can be reached. To ensure that this Agreement meets the high expectations we have for it, the Administration has refocused its assistance program with Morocco to help ensure the Agreement generates the benefits both sides expect. U.S. assistance will focus on helping the Moroccans to meet their FTA obligations, stimulate business development, and promote economic reform.

With your guidance and support, we will continue to pursue the Middle East Free Trade Area initiative. Working together, we feel confident that we can build a trading and investment community with the Middle East and North Africa that will stimulate growth, generate prosperity, and promote democracy.